



Mr. Harry Stoller
Illinois Commerce Commission

March 9, 2005

Response to Request for Public Comment Concerning the Implementation of Governor Blagojevich's Proposal for a Sustainable Energy Plan for Illinois.

Dear Mr. Stoller:

We applaud the fact that the State of Illinois is taking this progressive step to promote the implementation of a renewable energy and energy efficiency strategy within the State and fully support these efforts. As providers of energy-related services to utilities, public bodies, and individual customers, we have long recognized the potential for energy efficiency within the State of Illinois and we feel that the Governor's proposed approach is just the kind of stimulus needed.

In the realm of energy efficiency, we have a great deal of experience in designing and implementing energy efficiency programs throughout the nation, with involvement in on-going programs in Iowa, Wisconsin, Colorado, Utah, New York, California and Texas, among others. Our experience has shown that energy efficiency is a very cost-effective alternative to new capacity, and, when well-designed and implemented programs are included in a well-rounded portfolio such as the one the Governor is proposing, energy efficiency can provide as robust a contribution to future capacity needs as any other source.

While the traditional "standard offer" approach to energy efficiency is cost-effective and will have a place in any portfolio of programs, we particularly like the competitive nature of some of the approaches suggested in the Governor's letter. We have designed and implemented several energy efficiency "bidding" programs, in which participants bid among themselves for incentives to implement energy efficiency measures. A program that we recently implemented for an Iowa utility has identified projects that have savings estimated at 13,000 MWh per year and is funding those projects at a levelized lifetime cost of between 0.08 to 0.6 cents/kWh, which is extremely cost-effective energy efficiency, in anybody's book.

An important consideration in designing energy efficiency programs is to recognize the capital investment criteria currently used by most energy end-users. In almost all cases, customers are requiring very short paybacks for any investment (often in the order of one to three years) and energy efficiency investments take a back seat to other considerations such as occupant comfort, production capacity or productivity improvement. Any incentive programs that are developed for the State need to address this issue head on.

Nexant, Inc.

2702 International Lane, Suite 200
Madison, WI 53704, USA
Voice: 608 246 0535
Fax: 608 246 2723

www.nexant.com

I hope this brief note is of some use to you in determining the State's path forward on this important issue. If my company may be of any further assistance in your development of the plan, please feel free to contact me.

Sincerely,



Michael J. Marr
Principal

Cc: Michelle Mishoe